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The major tax measures expected for 2013

During the Council of Ministers held on September 12, 2012, the French Economy and Finance Minister presented the main tax and budgetary guidelines for 2013. On September 28, 2012, the Council of Ministers will adopt the draft Budget Bill for 2013 and, on October 10, 2012, it should adopt the draft Social Security Finance Bill for 2013.

Yet, the following main tax measures expected for 2013 can be outlined.

Measures affecting companies:

- Limited deduction of loan interests for large-sized companies only, i.e. companies with more than 250 employees whose annual turnover exceeds 50 million Euros or whose total annual balance sheet exceeds 43 million Euros;
- The research tax credit mechanism should be maintained on the whole. It should even be extended to small- and medium-sized businesses (outside groups), especially for innovation expenses;
- There should not be a different corporate income tax rate for small- and medium-sized businesses and for large-sized companies;
- The accelerated tax depreciation scheme should be suppressed (i.e. special provisions allowing for assets to be depreciated more rapidly for tax purposes than for accounting purposes).

Measures affecting individuals:

- Introduction of a marginal income tax rate of 45% on income in excess of 150,000 Euros per part (in France, the household taxable income is divided into a number of parts, e.g. one part for a single person, two parts for a married couple, an additional half part for a dependent child, etc.);
- Income from capital should taxed at the same rate as income from work, except perhaps for life insurance contracts that could continue to be taxed at a flat tax rate;
- Introduction of an exceptional 75% tax on professional income in excess of 1 million Euros. This tax should be temporary (two years) and should be levied only on recurring income (income from assets and exceptional revenues could be exempted). This 75% tax should include the CSG/CRDS social taxes;
- Reform of the Wealth Tax (*impôt de solidarité sur la fortune*): the former wealth tax scale should be restored, with a cap of 80% of income (but the 1,3M Euros tax threshold would reportedly be

maintained). Exemption of professional assets should be maintained even though more narrowly defined.

FORMER WEALTH TAX SCALE	
Fraction of the net taxable value of the assets	Applicable rate (in percentage)
Up to 800,000 Euros	0
Between 800,000 Euros and 1,310,000 Euros	0,55
Between 1 310 000 Euros and 2,570,000 Euros	0,75
Between 2 570 000 Euros and 4,040,000 Euros	1
Between 4,040,000 Euros and 7,71,000 Euros	1,3
Between 7,710,000 Euros and 16,790,000 Euros	1,65
Above 16,790,000 Euros	1,8

Tax reductions for investments made in small- and medium-sized businesses should also be maintained.

The above elements are likely to be amended during the parliamentary debates that will follow the presentation of the draft Budget Bill for 2013.

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